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TO AMEMBASSY MEXICO

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, MTN, MX

SUBJECT: UNITED STATES-MEXICO BILATERAL CONSULTATIONS

JUNE 28-29, 1976: BILATERAL ISSUES

REF: (A) STATE 176955 (B) STATE 200619

1. U.S.-MEXICAN BILATERAL TRADE CONSULTATIONS WERE HELD
IN WASHINGTON JUNE 28-29. THIS TELEGRAM SUMMARIZES SECOND
DAY'S DISCUSSION ON BILATERAL ISSUES. REFTEL SUMMARIZED
MTN DISCUSSIONS.

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2. LICENSING PROBLEMS: USDEL INQUIRED ABOUT THE STATUS OF THE JULY 1975 TEMPORARY IMPORT RESTRICTION PROGRAM COVERING SELECTED IMPORTS. MEXDEL STATED THAT SOME OF THE TEMPORARY RESTRICTIONS REMAIN, BUT WOULD BE ELIMINATED AS THE MEXICAN ECONOMY IMPROVES. IN RESPONSE TO U.S. QUESTION, MEXDEL STATED THAT THEY WERE UNDER IMPRESSION THAT THE NEW DOLLARS 24 FEE FOR IMPORT LICENSE FORMS IS A PERMANENT FEATURE. USDEL STATED THAT THERE ARE CERTAIN ASPECTS OF MEXICO'S IMPORT LICENSING SYSTEM OF MAJOR CONCERN TO U.S. COMPANIES. THE USG FOUND IT PARTICULARLY DIFFICULT TO ACCEPT OR EXPLAIN A SITUATION IN WHICH PARTICULAR U.S. PRODUCTS ARE COMPLETELY DENIED THE OPPORTUNITY TO COMPETE IN THE MEXICAN MARKET WHILE SIMILAR MEXICAN PRODUCTS ARE PROVING THEMSELVES

COMPETITIVE IN THE U.S. MARKET. MEXDEL AGREED THAT THIS WAS A PROBLEM, BUT OFFERED NO SOLUTION.

3. USDEL INDICATED ITS CONTINUING INTEREST IN RECEIVING A RESPONSE FROM GOM ON A LIST OF COMPLAINTS BY U.S. COMPANIES FACING MEXICAN IMPORT LICENSING RESTRICTIONS WHICH USG PRESENTED TO MEXICAN EMBASSY IN COURSE OF SEPTEMBER 1975 BILATERAL TRADE CONSULTATIONS. MEXDEL STATED IT HAD NOT RECEIVED, OR HAS MISPLACED, THE LIST AND REQUESTED A COPY WHICH THEY WOULD REVIEW. USDEL GAVE MEXDEL SECOND COPY OF LIST. USDEL THEN RAISED IN DETAIL PROBLEM OF LICENSE PROCEDURE FOR BREEDING STOCK. USDEL INDICATED SERIOUS OBJECTION TO DOMESTIC BREED ASSOCIATIONS' VETO OVER IMPORTS OF BREEDING STOCK. MEXDEL EXPLAINED THAT GOM POLICY TO RESTRICT IMPORTS WAS A PRACTICE DESIGNED TO IMPROVE HERD QUALITY, BUT THAT HE WOULD LOOK INTO THIS PARTICULAR PROBLEM. U.S. DEL STATED THERE IS CONSIDERABLE INDUSTRY AND CONGRESSIONAL INTEREST IN THIS MATTER.

4. OFFICIAL PRICES: USDEL NOTED THAT USG HAD BEEN INFORMED BY INDUSTRY ADVISORY COMMITTEES OF PROBLEMS REGARDING GOM OFFICIAL IMPORT PRICES. U.S. COMPLAINTS FELL IN FAIRLY BROAD CATEGORIES OF PRODUCTS AND USDEL UNDERTOOK TO PROVIDE SPECIFICS TO MEXDEL WHICH AGREED TO LOOK AT SPECIFIC PROBLEMS.

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5. SUPPLY ACCESS: DIOSCOREA ROOTS AND SISAL AND HENEQUEN: USDEL NOTED DIFFICULTY ENCOUNTERED BY U.S. IMPORTERS OF THESE PRODUCTS IN GETTING SUPPLIES FROM MEXICO. IN ADDITION, WITH REGARD TO DIOSCOREA, THE COMPLAINT HAS BEEN MADE THAT GOM NATIONALIZED MEXICAN BASED DISTRIBUTORS OF THIS PRODUCT WITHOUT COMPENSATION TO U.S. FIRMS AND RAISED PRICES AFTER NATIONALIZATION, I.E., ARTIFICIALLY RATHER THAN FROM NORMAL MARKET FORCES. WITH REGARD TO SISAL AND

HENEQUEN, U.S. IMPORTERS HAVE COMPLAINED OF MEXICAN EXPORTERS NOT ONLY LIMITING SHIPMENTS TO U.S., BUT OF NOT HONORING PREVIOUSLY MADE CONTRACTS. USDEL NOTED THAT PROBLEMS ENCOUNTERED WITH THESE TWO PRODUCTS (I.E., MONOPOLY SITUATIONS AND WITHHOLDING OF SUPPLIES) DEMONSTRATE THE NEED FOR SUPPLY ACCESS REGULATIONS. MEXDEL SUGGESTED THAT PROBLEMS WERE EXAGGERATED, BUT DID EXPRESS CONCERN OVER CONTRACT CANCELLATIONS AND AGREED TO INVESTIGATE. MEXDEL EMPHASIZED, HOWEVER, LDC RIGHT TO CONTROL SUPPLY ACCESS IN ORDER TO PROMOTE DOMESTIC PROCESSING.

6. MARKETING ORDERS: MEXDEL INDICATED CONCERN THAT MARKETING ORDER REGULATIONS AFFECTING IMPORTS OF GRAPEFRUIT MAY BE ISSUED AGAIN THIS YEAR. GOM ALLEGEDLY FACES PROBLEM OF INSUFFICIENT TIME FOR COMMENT BETWEEN ISSUANCE OF REGULATIONS AND U.S. IMPLEMENTATION. THIS RESULTS IN SHIPMENTS BEING TURNED BACK AT THE BORDER. USDEL STRESSED LIMITED RESTRICTIVE NATURE OF REGULATION WHICH COVERS DOMESTIC AND IMPORTED PRODUCTS AND SUGGESTED THAT SIMILARITY OF REGULATIONS FROM YEAR TO YEAR AND THE REGULARITY OF TIMING OF ISSUANCE SHOULD PERMIT ADVANCE PREPARATION BY GOM. IN ADDITION, GOM HAS OPPORTUNITY TO SUBMIT VIEWS IN ADVANCE TO U.S. DEPARTMENT OF AGRICULTURE. USDEL NOTED THAT USG WELCOMES GOM VIEWS AND URGED GOM TO MAINTAIN CLOSE AND FREQUENT CONTACTS WITH USDA TO INSURE THAT ITS VIEWS WILL BE TAKEN INTO ACCOUNT ON A TIMELY BASIS. MEXDEL AGREED WITH THE NECESSITY OF FREQUENT CONTACTS WITH USDA, BUT PERSISTED IN CONTENTION THAT MARKET ORDERS ARE IN EFFECT ADMINISTERED WITH INTENT TO EXCLUDE MEXICAN PRODUCTS.

7. MANGOES, WATERMELONS, AND STRING BEANS: MEXDEL EXPRESSED INTEREST IN TARIFF REDUCTIONS ON THESE ITEMS. USDEL INDICATED THAT GOM SHOULD PURSUE NEGOTIATIONS ON THE LIMITED OFFICIAL USE

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SE ITEMS IN MTN AND POINTED OUT THAT U.S. WAS OFFERING REDUCTIONS ON MANGOES AND WATERMELONS IN THE TROPICAL PRODUCTS GROUP. MEXDEL EXPRESSED DOUBT THE U.S. TROPICAL PRODUCTS OFFER ON THESE PRODUCTS WAS FOR TIME PERIOD WHICH WOULD BE OF VALUE TO MEXICO.

8. CAJETA: IN RESPONSE TO USDEL EXPLANATION OF DIFFICULTY OF DISTINGUISHING CAJETA MADE FROM GOAT MILK FROM THAT MADE FROM OTHER DAIRY PRODUCTS, MEXDEL SUGGESTED THAT DEVELOPMENT OF STANDARDS OF IDENTIFICATION WITH CERTIFICATION BY GOM THAT PRODUCT MADE SOLELY FROM GOAT MILK MIGHT BE POSSIBLE SOLUTION. GOM WILLING TO OPERATE CERTIFICATION PROGRAM. USDEL AGREED TO INVESTIGATE AND RESPOND WITHIN 30 DAYS.

9. ANTI-DUMPING--CEMENT AND SULPHUR: USDEL REVIEWED STA-

TUS OF ANTI-DUMPING CASE ON MEXICAN CEMENT AND NOTED THAT IT APPEARS AS IF THE TREASURY DETERMINATION WILL BE AFFIRMATIVE AND THE CASE WILL BE REFERRED TO U.S. INTERNATIONAL TRADE COMMISSION FOR INJURY DETERMINATION. USDEL ALSO NOTED THAT INFORMATION REQUESTED FROM GOM REGARDING GOM'S REQUEST FOR REVOCATION OF 1972 FINDING OF DUMPING OF MEXICAN SULPHUR HAS JUST BEEN RECEIVED. USG WILL BE ANALYZING THE INFORMATION IMMEDIATELY IN ORDER TO EXPEDITE DECISION.

10. TEQUILA: MEXDEL STRESSED GOM BELIEF THAT TEQUILA IS PRODUCT OF MEXICO REGARDLESS OF WHETHER OR NOT BOTTLED IN U.S. GOM DESIRES GSP STATUS FOR BOTH BOTTLED AND BULK SHIPMENTS PLUS MFN TARIFF REDUCTION. USDEL NOTED PROBABLE INABILITY TO WAIVE COMPETITIVE NEED LIMIT WERE BOTTLED TEQUILA GIVEN SEPARATE TARIFF CLASSIFICATION ON GSP BECAUSE U.S. BOTTLING DEEMED TO BE U.S. PRODUCTION. USDEL THEN OFFERED TO CHECK ON POSSIBILITY OF GSP STATUS FOR BULK TEQUILA BUT STRESSED THAT IF BULK TEQUILA GIVEN SEPARATE TARIFF CLASSIFICATION ON GSP LIST TO ALLOW WAIVING OF COMPETITIVE NEED LIMIT, AT GOM REQUEST, THEN GOM SHOULD NOT SUBSEQUENTLY COMPLAIN OF QUOTE TARIFF ESCALATION UNQUOTE ACCORDING TO DEGREE OF PROCESSING. TENTATIVE GOM RESPONSE WAS THAT GSP FOR BULK TEQUILA WOULD BE DESIRED, BUT SHOULD BE ACCOMPANIED BY A DUTY REDUCTION ON BOTTLED TEQUILA AND THE LATTER SHOULD BE A QUID PRO QUO FOR EITHER THE BOURBON AND OR WINE QUOTAS ALREADY GRANTED LIMITED OFFICIAL USE

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TO U.S. BY MEXICO. USDEL INDICATED UNCERTAINTY AS TO WHETHER PRESENT LIMITED QUOTA ON WINE WOULD BE CONSIDERED ADEQUATE CONTRIBUTION BUT AGREED TO STUDY ENTIRE ISSUE AND RESPOND.

11. UNCTAD: MEXDEL EXPRESSED DISSATISFACTION WITH UNCTAD DEVELOPMENTS ON TRADE. LDC'S HAD HOPED TO GENERATE FURTHER UNDERSTANDING OF THEIR POSITION AND ASSURANCES THAT THEIR VIEWS WOULD BE TAKEN INTO ACCOUNT. LDC'S PARTICULARLY PRESSED FOR PARALLEL DEVELOPMENT OF PROCEDURES FOR SPECIAL AND DIFFERENTIAL TREATMENT AT THE SAME TIME GENERAL RULES ARE BEING DEVELOPED.

12. FUTURE ACTION: (A) MORE DETAILED INFORMATION PROMISED MEXDEL ON SPECIFIC COMPLAINTS RE OFFICIAL PRICING POLICY SENT REFTEL B. GOM COMMITTED TO LOOKING INTO SOLUTIONS. (B) RE CAJETA: USDA FEELS IT POSSIBLE IMPORT OF CAJETA WOULD NOT INTERFERE WITH SECTION 22 QUOTA PROGRAM. PROCEDURE NECESSARY TO FOLLOW BEING SENT SEPTTEL. (C) GOM IS FOLLOWING UP ON BEEF CATTLE IMPORT PROBLEM AND SEPTTEL LAYING OUT CURRENT STATUS BEING PREPARED HERE. (D) GOM IS REVIEWING OUR LIST OF LICENSING

PROBLEMS. EMBASSY SHOULD REVIEW STATUS OF THIS WITH
GARRIDO. KISSINGER

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